PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Pastures Revolving Fund as at March 31, 2003 and the statements of operations and accumulated operating deficit, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 21, 2003

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

PASTURES REVOLVING FUND
BALANCE SHEET
As at March 31

	2003	2002
ASSETS		
Current assets:		
Accounts receivable	$ 247,489	$ 318,692
Inventory	282,562	306,457
	530,051	625,149
Capital assets (Note 5)	2,296,789	2,134,826
	$ 2,826,840	$ 2,759,975
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 159,600	$ 208,174
Unearned revenue	---	3,034
	159,600	211,208
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	3,011,621	3,003,911
	3,171,221	3,215,119
Equity:		
Accumulated operating deficit (Statement 2)	(344,381)	(455,144)
	$ 2,826,840	$ 2,759,975

(See accompanying notes to the financial statements)

Statement 2

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING DEFICIT
For the Year Ended March 31

	Budget 2003 (Note 6)	Actual 2003	Actual 2002
REVENUES			
Grazing	$ 5,650,030	$ 4,559,728	$ 4,995,549
Petroleum and gas leases	725,000	719,461	708,066
Bull wintering	372,775	260,678	447,445
Cow wintering	183,000	1,593	165,005
House rent	54,050	54,723	57,500
Seismic and easement	50,000	36,956	104,342
Hay	15,000	1,234	19,678
Gain on disposal of capital assets	---	13,114	12,176
Other	31,145	37,434	58,298
	7,081,000	5,684,921	6,568,059
EXPENSES			
Salaries	2,740,771	2,681,108	2,826,110
Repairs and improvements	926,035	394,528	534,288
Taxes	856,115	867,479	849,868
Seed and forage	510,450	195,592	563,149
Rent of equipment, horses and other	373,102	327,962	381,958
Amortization	---	307,026	307,752
Travel	297,225	290,429	274,302
Small tools, equipment, and supplies	273,130	132,142	177,051
Utilities	109,220	120,421	120,058
Veterinary fees and supplies	94,907	71,722	108,015
Telephone	81,565	69,508	78,034
Bad debt expense	---	20,701	---
Freight and postage	19,275	17,450	51,516
Advertising and printing	4,950	1,414	3,227
Other	101,255	76,676	47,875
	6,388,000	5,574,158	6,323,203
Net income (Note 8)	$ 693,000	110,763	244,856
Accumulated operating deficit, beginning of year		(455,144)	(729,350)
Transfer from General Revenue Fund (Note 4)		---	29,350
Accumulated operating deficit, end of year – to Statement 1		$ (344,381)	$ (455,144)

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2003	2002
Financing required for (provided by) operating activities:		
Net income	$ (110,763)	$ (244,856)
Items not affecting working capital:		
Amortization	(307,026)	(307,752)
Bad debt recovery (expense)	(20,701)	---
Gain on disposal of capital assets	13,114	12,176
Net (increase) decrease in working capital items related to operations (Note 10)	(22,789)	117,293
	(448,165)	(423,139)
Financing required for (provided by) investing activities:		
Purchase of capital assets	510,161	290,156
Proceeds from sale of capital assets	(20,020)	(12,178)
	490,141	277,978
Financing required for (provided by) financing activities:		
Payment from General Revenue Fund	---	(29,350)
Net increase (decrease) in financing requirements	41,976	(174,511)
Net book value of transferred assets (Note 5)	(34,266)	---
Accumulated net expenditure, beginning of year	3,003,911	3,178,422
Accumulated net expenditure, end of year – to Statement 1	$ 3,011,621	$ 3,003,911

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act,* effective August 1, 2000. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Capital Assets and Amortization

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating deficit. Amortization of all capital assets is charged to operations using the straight-line method at the following rates:

Fencing and corrals	10%
Water sites	5%
Buildings	5%
Equipment	10%
Office equipment	25%
Land improvements	10%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Unearned Revenue

Unearned revenue consists of grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

3. Authorized Financing

Subsection 16(11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

5. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	$ 768,484	$ 411,746	$ 356,738	$ 386,952
Water sites	815,624	139,236	676,388	433,094
Equipment	1,877,635	884,644	992,991	827,357
Buildings	318,881	96,901	221,980	261,257
Office equipment	51,555	23,934	27,621	36,957
Land improvements	38,311	17,240	21,071	189,209
Total	$ 3,870,490	$ 1,573,701	$ 2,296,789	$ 2,134,826

During the year, the Revolving Fund transferred its computer equipment to the Department at no cost. The computer equipment had costs of $114,241 and accumulated amortization of $79,975. These amounts have been removed from the cost and accumulated amortization balances above and the net book value of $34,266 has been deducted from accumulated net expenditure. The Department now provides information technology services to the Revolving Fund and charges the Revolving Fund for these services. Included in other expense is $31,061 for these services during the year.

6. Budget

Treasury Board approves the Revolving Fund's budget annually.

7. Related Party Transactions

Included in these financial statements are the following transactions with Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Revolving Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The Revolving Fund purchased utility and communication services of $190,722 (2002 – $198,702) from SaskPower, SaskEnergy and SaskTel and purchased vehicle rentals, insurance and supplies of $110,285 (2002 - $128,873) from Saskatchewan Property Management Corporation and Saskatchewan Government Insurance. These transactions are in the normal course of operations and are recorded at the standard rates charged by these corporations.

The Revolving Fund paid employee benefits of $188,068 (2002 - $191,497) to Public Employees Superannuation Fund, Public Employees Disability Income Fund and Public Employees Group Life Insurance Fund.

The Revolving Fund receives use of Crown land, office space and administrative services from the Department of Agriculture, Food and Rural Revitalization without charge. In addition, the Revolving Fund pays provincial sales tax to the Department of Finance on all its taxable .chases. Taxes paid are recorded as part of the cost of these purchases.

As at March 31, 2003, $12,573 (2002 - $41,902) was due to Government agencies as a result of the transactions referred to above.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2003	2002
Net income	$ 110,763	$ 244,856
Payment from General Revenue Fund	---	29,350
Decrease (increase) in inventory balance recorded by the Revolving Fund	23,895	(25,885)
Decrease (increase) in net capital assets recorded by the Revolving Fund	(161,963)	17,598
Net book value of transferred assets	(34,266)	---
General Revenue Fund balance overstated	367,347	---
Timing differences in recording revenue/payments	412,757	---
Net recovery reported in the Public Accounts	$ 718,533	$ 265,919

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $314,501 at March 31, 2003 with an allowance for doubtful accounts of $25,000. Some of the receivables were received shortly after year end reducing the credit risk.

c) Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

d) Accumulated Net Expenditure

The fair value of accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Net Change in Working Capital Items Related to Operations

	2003	2002
Working capital changes:		
(Decrease) increase in accounts receivable	$ (50,502)	$ 10,230
(Decrease) increase in inventory	(23,895)	25,885
Decrease in accounts payable	48,574	64,512
Decrease in unearned revenue	3,034	16,666
	$ (22,789)	$ 117,293

11. Commitments on Leased Farm Equipment

As of March 31, 2003, the Fund is committed to future lease payments of:

2003/04	$31,801